

SCHEDULE A

ANNUAL BUDGET AND

SUPPORTING DOCUMENTATION

GREATER LETABA MUNICIPALITY

ANNUAL BUDGET OF

GREATER LETABA

MUNICIPALITY

2017/2018 TO 2019/2020

MEDIUM TERM REVENUE AND

EXPENDITURE FORECASTS

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Abbreviations and Acronyms

| | | | |
|--------|--|-------|--|
| ASGISA | Accelerated and Shared Growth Initiative | ℓ | litre |
| BC | Budget Committee | LED | Local Economic Development |
| CFO | Chief Financial Officer | EXCO | Executive Committee |
| MM | Municipal Manager | MFMA | Municipal Financial Management Act |
| CPI | Consumer Price Index | MIG | Municipal Infrastructure Grant |
| CRRF | Capital Replacement Reserve Fund | MSA | Municipal Systems Act |
| DBSA | Development Bank of South Africa | MTEF | Medium-term Expenditure Framework |
| DoRA | Division of Revenue Act | MTREF | Medium-term Revenue and Expenditure Framework |
| FBS | Free basic services | NERSA | National Electricity Municipality Regulator South Africa |
| GDP | Gross domestic product | NKPIs | National Key Performance Indicators |
| GFS | Government Financial Statistics | OP | Operational Plan |
| GRAP | General Recognised Accounting Practice | PMS | Performance Management System |
| IDP | Integrated Development Plan | PPE | Property Plant and Equipment |
| IT | Information Technology | SALGA | South African Local Government Association |
| kℓ | kilolitre | SDBIP | Service Delivery Budget Implementation Plan |
| km | kilometre | SMME | Small Micro and Medium Enterprises |
| KPA | Key Performance Area | | |
| KPI | Key Performance Indicator | | |
| kWh | kilowatt | | |

1 Part 1 – Annual Budget

1.1 Mayor's Report

2017/18 Budget Speech

Of Greater Letaba Municipality

by Honourable Mayor Cllr matlou MP

Thank you very much madam speaker for this opportunity afforded to me. Frankly it is common knowledge that I stand here as I do before this great audience this afternoon, by virtue of the nodding of head of the honourable speaker of Greater Letaba Municipality council. Madam speaker, and at the same time as protocol dictates, may I also acknowledge the presence of:

- Traditional leaders
- The Chief Whip of the African National Congress in our municipality, Cllr Mampeule PJ.
- Members of the Executive Committee
- Respected fellow Councillors
- Municipal manager, Directors and Officials
- Sector Department
- Members of the business fraternity
- Religious and Spiritual Leaders
- Youth formation
- Media houses present today

Ladies and Gentlemen , Distinguished guests, friends and fellow compatriot.

Madam Speaker, it would be indeed be a grave mistake not to acknowledge this community, **whose presence this afternoon warms our hearts.**

The budget we are presenting today Madam speaker **is our desire as the ruling party to inspire hope in our community and to instil faith in their own democracy and people Centred Local Government.**

This of course will be presented in a manner that is easy to understand with much great emphasis. Madam Speaker before i go into the business of the day, grant me the opportunity to congratulate all South Africas, as we celebrate Africa month, reminding us that as South african we are first of all Africans. This democracy we enjoy today, didn't come but as a result of hardwork and serious sacrifice by those who came before us.

Madam Speaker, as we move this municipality forward, we take into account our previous disadvantages, but I wish us not to dwell in the past. Instead to work harder together in achieving the dreams we want to see in our lifetime. "**Be the change you want to see**" as Mahatma Gandhi once wrote. Honourable Councillors, our people have declared; their trust in the National, Provincial and Local Government for the rulling party, and since then they have pinned their unwavering hope and faith in us.

And i can declare with confidence that we have done our level best not to disappoint them. Although we believe that we are not yet on the pinnacle of our political goal.

I can also declare with confidence that Greater Lataba Municipality is much better than it was before 1994.

In presenting this budget Honourable speaker, let me point out that this address is within the context of the African National Congress January statement that set the tone for the policy direction to be taken in the same year of action.

And, it is furthermore informed by the National Developemnt Plan which is the Government's master plan of fighting the triple challenges of poverty, unemployment and inequality.

Esteemed ladies and gentlemen, this 2017/18 budget **is not a face , it is an implementation tool of our Intergrated Development Plan**, among the many platforms that we can use as a municipality to communicate our vision to all the affected stakeholders.

My vision is to raise the bar through performance and some of what the vision entails can be summarised as follows; There are specific plans to reform our Local Economic Development so that it yields more benefis to our local SMME's and at the same time attract investments to our municipal periphery.

Another aspect of the vision, focuses on transforming sports with a specific objective to committing and increasing the municipal sports facilities to our sportsmen and women so that at the end, there is improvement on the quality of life of our communities.

The other most critical aspect relates to accelerating service delivery to our communities with emphasis made to challenging our municipal officials to become more and more efficient and effective in their performance and to be conscious the speed with which such services are being delivered is of great importance.

Therefore **the manner in which services are being delivered matter the most**. It is no longer, a matter of just service delivery but it should be excellent service.

In this regards, our officials without exceptions didn't need to advance reason or justification why they should not go an extra mile in the call of duty to serve our communities putting people first is embedded in the “ Batho Pele Principles which are observed and upheld in all the spheres of government”.

The fourth aspect of the vision is to deal with institutional transformation and growth. As it is common knowledge that **improved service delivery** requires organisational re-alignment if intended results are to be achieved. We must take note of the fact that change has no constituency, what is required is to adapt and adjust.

Therefore, the recasting of our performance measurements and management systems and municipal structures is inevitable. Through this initiatives **we can at least hope that our officials not only to deliver optimal services to our communities, but are urged to deliver excellent services.**

Despite our limited resources, we should make strides that we deliver services to our stakeholders..

We however cannot be ignorant of the fact that in every noble effort of bringing good, there are always accompanying challenges and hurdles that we have to overcome.

The achievements we intend to elaborate on have been through a collective effort from all of us and we expect the same Collective efforts going forward.

Madam Speaker it is with great joy that we are able to present our achievements and planned projects for 2017/2018 financial year. Despite negative and adverse socio-economic factors, the municipality remains financially viable.

However, we still encourage our communities to pay for municipal services consumed in order to ensure that the municipality can maintain and improve on the current service delivery levels.

Our budget for 2017/18 financial year is as follows:

Operational Budget:

Operational Revenue – R298 672 000.00

Operational Expenditure – R218 201 000.00

Surplus for the year – R 80 470 508.00

Budget for Capital Assets:

- Contribution by own income – R 80 470 508.00

- Contribution by grants MIG – R 61 162 000.00

- 1. Mayor's office has budget of R 2 270 000.00**
- 2. Budget and Treasury offices budget is R 116 000.00**
- 3. Human Resource budget is R 50 000.00**
- 4. Information Technology budget is R 2 465 000.00**
- 5. Property services budget is R 2 310 000.00**
- 6. Planning and Development budget is R 5 800 000.00**
- 7. Liabraries and Archieves budget is R 4 000 000.00**
- 8. Community halls and fasclilities budget is R 5 850 000.00**
- 9. Community and Social services /cemetries budget is R 400 000.00**
- 10. Disaster Management budget is R 300 000.00**
- 11. Street lighting- added budget of R 2400 000.00**
- 12. Sports and recreation budget is R 13 563 003.00**
- 13. Waste management budget is R 3800 000.00**

14. Storm water budget is R 2 606 505.00

15. Roads budget is R 25 380 000.00

16. Road transport/Vehicle licensing and testing budget is R 480 000.00

17. Electricity/electricity Distribution has a total of R 8 980 000.00

In conclusion, Madam Speaker let me indicate that the state of the municipal budget will not have value, if we are unable to share our vision with our communities as the intended beneficiaries.

It is our legislative imperative that we put communities first and value their contributions as key stakeholders.

We are duty –bound to maintain social distance with our communities. We need to re-connect with all our communities and be in a position to can share our dreams.

I want to take this opportunity to express my sincere gratitude to my family for the unconditional support guidance and love received since I was bestowed with the responsibility to lead this municipality which is the face of service delivery . I also want to thank the ruling party, for the guidance and entrusting me to lead this municipality. With these efforts and plans we are further giving meaning to the mandate of municipalities, which is to serve the people unconditionally.

Lets continue to give power to the people of Greater Letaba Municipality as per our Motto.

"I thank you very much once again"

.....
Cllr:Matlou MP

(Mayor of Greater Letaba Municipality)

1.2 Council Resolutions

Council of Greater Letaba Municipality met to approve the annual budget of the municipality for the financial year 2017/2018. The Council considered and noted the following resolutions:

1. The Council of Greater Letaba Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual budget of the municipality for the financial year 2017/2018 and the multi-year and single-year capital appropriations as set out in table A1 to A10.
 - 1.1.1. A1: Budget Summary
 - 1.1.2. A2: Budgeted Financial Performance (revenue and expenditure by standard classification).
 - 1.1.3. A3: Budgeted Financial Performance (revenue and expenditure by municipal vote)
 - 1.1.4. A4: Budgeted Financial Performance (revenue by source and expenditure by type)
 - 1.1.5. A5: Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source
 - 1.1.6. A6: Budgeted financial position
 - 1.1.7. A7: Budget Cash flow
 - 1.1.8. A8: Cash backed reserves/accumulated surplus reconciliation
 - 1.1.9. A9: Asset Management
 - 1.1.10. A10: Basic Service Delivery measurement
2. The Council of Greater Letaba Municipality met on 30 May 2017 to consider and note the following budget and risk policies.
 - 2.1. Tariffs policy
 - 2.2. Indigent policy
 - 2.3. Budget policy
 - 2.4. Investment policy
 - 2.5. Supply chain Management policy
 - 2.6. Asset management policy
 - 2.7. Credit control and debt collection policy
 - 2.8. Property rates policy
 - 2.9. Principles and Policy on the writing off of irrecoverable debts
 - 2.10. Virement policy
 - 2.11. Risk Management policy
 - 2.12. Books of accounts policy
 - 2.13. Bank and cash policy
 - 2.14. Trade and sundry Payable policy
 - 2.15. Provision policy
 - 2.16. Inventory policy
 - 2.17. Sundry Receivable policy
 - 2.18. External Loans policy
 - 2.19. Grants policy
3. The Council of Greater Letaba Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) met on 30 May 2017 to note the tariffs for electricity, refuse removal and other services.

1.3 Executive Summary

The Greater Letaba Municipality has during August 2016 approved a time schedule outlining the key deadlines in terms of the preparation of both IDP and budget for the 2017/2018 financial year. In reminding ourselves about the objectives of the Municipal Finance Management Act, the application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that Greater Letaba Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship.

National Treasury's MFMA Circular No. 51, 54, 55, 58, 59, 66, 67, 70, 72, 74, 75, 78, 79, 85 and 86 were used to guide the compilation of the 2017/2018 MTREF.

The main challenges experienced during the compilation of the 2017/2018 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- The need to reprioritise projects and expenditure within the existing available resources given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents.
- Affordability of capital projects considering that the municipality is predominantly rural with no infrastructure.

Our budget was informed amongst others by the following:

- The 2016/17 Adjustment budget, priorities and targets,
- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity.
- Ensuring that service delivery and capital projects use labour intensive methods;
- Ensuring that service providers use labour intensive approaches;
- Supporting labour intensive LED projects;
- Participating fully in the Extended Public Works Programme; and
- Implementing interns programmes to provide young people with on the job training.

The table below gives an overview of the Greater Letaba Municipality 2017/2018 draft budget.

Table 1 Consolidated Overview of the 2017/2018 MTREF

| R Thousand | Budget Year | Budget Year | Budget Year |
|------------|-------------|-------------|-------------|
|------------|-------------|-------------|-------------|

| | 2017/2018 | 2018/2019 | 2019/2020 |
|-----------------------------|-------------|-------------|-------------|
| Total Operating Revenue | 298 672 000 | 312 531 000 | 328 662 000 |
| Total Operating Expenditure | 218 000 000 | 230 627 000 | 243 568 000 |
| Surplus Deficit | 80 672 000 | 81 903 000 | 85 094 000 |
| Total MIG Expenditure | 61 162 000 | 61 920 000 | 65 427 000 |
| Total Capital Expenditure | 141 834 000 | 143 823 000 | 150 521 000 |

Total revenue budget is mainly constituted by operating grant and subsidies of R227 million (including equitable share) and MIG allocations amounting to R61 million for the 2017/2018 financial year.

Revenue from the payment of services by ratepayers amounts to R30 million for the financial year 2017/2018 with other revenue from other services amounting to almost R12.9 million. Refer to table A7 (budgeted cash flows). The investment withdrawal amounts to R7.5 million.

Included in the operating expenditure of R218 million is an amount of R15 million for depreciation (depreciation and asset impairment on table A1) which represent a non cash item for the financial year 2017/2018.

Repairs and Maintenance which forms part of Operating Budget amounts to R10.7 million with Bulk purchases for Electricity amounting to R14.9 million for the financial year 2017/2018.

Repairs and Maintenance amounted to R10.7 million (1.6% as percentage of PPE and 5.2% as a percentage of Operating Expenditure).The Municipality is not able to reach a target norm of 8% mainly due to budget constraints.

Salaries and allowances amount to R73.8 million and remuneration of councillors' amounts to R20 million. Refer to table A1 (Budget Summary).

Capital expenditure amounts to R141 million and will be funded from both Municipal Infrastructure Grant and internal funding.

Operating Revenue Framework

The municipality derives its revenue mainly from grants and subsidies.

The following table is a summary of the 2017/2018 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

| Description | 2017/2018 FY | 2018/2019 FY | 2019/2020 FY |
|----------------------|--------------------|--------------------|--------------------|
| Equitable share | 222 508 000 | 242 595 000 | 254 930 000 |
| EPWP | 2 384 000 | 0 | 0 |
| FMG | 2 145 000 | 2 145 000 | 2 145 000 |
| MIG | 61 162 000 | 61 920 000 | 65 427 000 |
| Service charges | 36 172 000 | 38 234 000 | 40 375 000 |
| Other income | 35 463 000 | 29 557 000 | 31 212 000 |
| Total Revenue | 359 834 000 | 374 451 000 | 394 089 000 |

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

1.3.1 Water and Sanitation (Impact of Tariff Increases)

- Greater Letaba Municipality has been appointed Water Services Provider by Mopani District Municipality and responsible for billing and collection. Greater Letaba Municipality receives 5% agency fee for any money collected on behalf of the district.
- Tariff charges for water are determined by the Mopani District Municipality.

1.3.2 Overall impact of tariff increases on households

- The overall tariffs increase for the financial year 2017/2018 is 6.4%. Households that cannot afford payment of services are registered as indigents and receive free basic services.

1.4 Operating Expenditure Framework

The Municipality's expenditure framework for the 2017/2018 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and

The following table is a high level summary of the 2017/2018 budget and MTREF (classified per main type of operating expenditure):

Table 3 Summary of operating expenditure by standard classification item

| Expenditure By Type | 2017/2018 | Percentage | 2018/19 | 2019/20 |
|------------------------------------|--------------------|------------|--------------------|--------------------|
| Employee related costs | 73 885 000 | 33.86 | 78 096 000 | 82 469 000 |
| Remuneration of councillors | 20 051 000 | 9.19 | 21 194 000 | 22 381 000 |
| Depreciation & asset impairment | 15 041 000 | 6.89 | 15 899 000 | 16 789 000 |
| Contracted Services | 13 868 000 | 6.36 | 14 609 000 | 15 427 000 |
| Bulk purchases | 14 965 000 | 6.86 | 15 893 000 | 16 830 000 |
| Other expenditure | 74 641 | 34.21 | 78 859 000 | 83 253 000 |
| Debt impairment | 5 751 000 | 2.64 | 6 078 000 | 6 419 000 |
| Total Operating Expenditure | 218 201 000 | 100 | 230 627 000 | 243 568 000 |

The budgeted allocation for employee related costs for the 2017/2018 financial year totals R73.8 million, which equals 33.86 per cent of the total operating expenditure and 26 per cent of the total budget (including capital expenditure).

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation and the adjustment in the equitable share allocation in this regard have been taken into account in compiling the municipality's budget.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals.

Other expenditure comprises of various line items relating to the daily operations of the municipality.

1.4.1 Priority given to repairs and maintenance

In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

1.4.2 Free Basic Services: Basic Social Services Package

Greater Letaba Municipality provides as part of its basic social services package both free basic water of 6kl, free basic electricity of 50 kwh, free sanitation, free refuse removal, free payment for property rates for all indigent households per month.

1.5 Capital expenditure

The total capital budget for the 2017/2018 financial year amounts to R141 million. Further detail relating to asset classes and proposed capital expenditure is contained in Table A9 (Asset Management). In addition to the MBRR Table A9.

The following are some of the capital expenditure projects to be implemented in the 2017/2018 financial year:

| | | |
|------------------------------------|---|-------------|
| Mohlele community hall | : | R 3 000 000 |
| Shamfana Community hall | : | R 1 500 000 |
| Ntata Community hall | : | R 2 210 492 |
| Thakgalane Community hall | : | R 1 118 386 |
| Goedplaas Community hall | : | R 1 382 964 |
| Mamanyoha Sport Complex | : | R 3 414 503 |
| Thakgalane Sports Complex | : | R 2 524 250 |
| Madumeleng/ Shotong Sports Complex | : | R3 024 250 |
| Rotterdam Sport Complex | : | R3 500 000 |
| Landfill Site | : | R2 000 000 |
| Manokwe Cave | : | R 600 000 |
| Ga-kgapane Storm Water Channels | : | R1 000 000 |
| Low Level Bridge | : | R1 106 505 |

In continuation of our tradition of our famous paving of roads, the following projects will be planned and constructed in the financial year 2017/2018 and the two outer years:

| | |
|--|---------------|
| Lemondokop street paving | : R 2 854 950 |
| Itieleng-Sekgosese Street paving | : R 2 867 950 |
| Modjadji Ivory Route Phase I | : R 2 500 000 |
| Kgapane stadium phase 3 | : R10 000 000 |
| Upgrading of streets - Sekgopo Moshate | : R 7 350 000 |
| Upgrading of streets – Mamphakhate | : R 7 068 816 |
| Upgrading of streets - Ramphanyana | : R 5 708 320 |
| Las vegas street paving | : R 7 350 000 |
| Upgrading of streets – Dichosing | : R 6 850 000 |
| Upgrading of streets – GaNtata | : R 6 850 000 |

In addition to the projects, for water and sanitation projects to be implemented in the Greater Letaba Municipality are reflected in the IDP document.

1.5.1 Future operational cost of new infrastructure

The infrastructure development done is mainly in the rural areas and presently there is no revenue collection done at these areas hence no operational cost of new infrastructure.

1.6 Annual Budget Tables – Greater Letaba Municipality

Ten main budget tables as required in terms of Section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/2018 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

1.7.1. Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;

- ii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

The total revenue for 2017/18 amounts to R359 million and for 2018/19 and 2019/20 is R374 million and R394 million respectively. These amounts include the capital recognised.

The total expenditure for 2017/18 amounts to R218 million and 2018/19 and 2019/20 is R230 million, and R243 million respectively. These resulted in a surplus for the year of R141 million for 2017/18, R143 million and R150 million for the two outer years.

1.7.2. Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

The total revenue for 2017/18 amounts to R359 million and for 2018/19 and 2019/20 is R374 million and R394 million respectively. These amounts include the capital recognised.

The total expenditure for 2017/18 amounts to R218 million and 2018/19 and 2019/20 is R230 million, and R243 million respectively. These resulted in a surplus for the year of R141 million for 2017/18, R143 million and R150 million for the two outer years.

1.7.4. Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

Total revenue excluding capital transfers is R298 million in 2017/2018, R312 million and R328 million in 2018/2019 and 2019/2020 respectively. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.

The main component of the total revenue is grant and subsidies amounting to R227 million, R244 million and R257 million for the financial years 2017/2018, 2018/2019 and 2019/2020 respectively.

The transfers and subsidies: Capital amount to R61.1 million in 2017/2018, R61.9 million and R65.4 million respectively.

Total Operating expenditure is R218 million in 2017/2018, R230 million and R243 million respectively. Included in the total operating expenditure amount for employee related costs of R73.4 million in 2017/2018, R78 million and R82 million. The remuneration for councillors is R20 million for 2017/2018, R21 million and R22 million for the two outer years.

1.7.5. Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Table A5 is a breakdown of the capital program in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.

The total budgeted capital expenditure amounts to R141 million in 2017/2018, R143 million and R150 million for the two outer years. These amounts comprises: the multi-year expenditure sub-total of R94 million, R116 million and R115 million, furthermore the capital expenditure for the single-year sub-total is R46 million, R27 million and R35 million respectively.

This budgeted capital expenditure will be funded from both MIG and Internally generated funds. MIG allocation is R61.1 million for 2017/18, R61.9 million and R65.4 million for the outer years. The internally generated funds amount to R80.4 million in 2017/18, R81.9 million and R85 million for outer years.

1.7.6. Explanatory notes to Table A6 - Budgeted Financial Position

Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

Table SA3 provides a detailed analysis of the major components of budgeted financial position items, including:

- Property, plant and equipment;
- Trade and other payables;
- Changes in net assets; and

The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

The total assets of the municipality for 2017/2018 amount to R826 million (Current assets is R142 million and non-current assets is R684 million), R915 million (current assets amounting to R150 million and non-current assets to R764 million) for 2018/2019 and R1 billion (current assets is R158.7 million and non-current assets is R870 million) for 2019/2020.

The main component of the non-current assets is the Property, Plant and Equipment figure which amounts to R683 million in 2017/2018, R763.9 million and R869 million respectively.

The liabilities amount to R54 million for 2017/2018, R57 million and R60 million for 2018/2019 and 2019/2020 respectively. The results in the accumulated surplus in all the years which read as follows: R772 million for 2017/2018, R858 million and R969 million for 2018/2019 and 2019/2020 respectively.

1.7.7. Explanatory notes to Table A7 - Budgeted Cash Flow Statement

The budgeted cash flow statement is the first measurement in determining if the budget is funded.

It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

The budgeted cash flow resulted in a favourable balance of R81.6 million in 2017/2018, R100.5 million and R122 million in 2018/2019 and 2019/2020 financial years respectively.

The net cash from operating activities amount to R146 million, R158.7 million and R166.9 million in 2017/2018, 2018/2019 and 2019/2020 respectively. The budgeted cash inflows is R330 million and cash outflows of R197 million.

The net cash from investing activities amounts to R137.5 million in 2017/2018, R139.8 million and R145 million in the two outer years.

1.7.8. Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.

In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

As indicated in Table SA 10, the Greater Letaba Municipality's budget is fully funded for the 2017/2018 financial year.

The cash and investments available resulted in a favorable balance of R72.7 million in 2017/2018, R76.8 million and R81 million in 2018/2019 and 2019/2020 financial years respectively.

The unspent conditional transfers is estimated at R10 million in 2017/2018, R10.5 million and R11 million in the two outer years respectively. The reserves to be backed by cash/investment is at R7.5 million (Budgeted investment withdrawal in the 2017/18 financial year)

This results in a surplus of R44 million in 2017/2018, R62 million and R66 million in 2018/19 and 2019/2020 respectively.

1.7.9. Explanatory notes to Table A9 - Asset Management

Table A9 provides an overview of municipal capital allocations to building new assets, renewal of existing assets and upgrading of existing assets, as well as spending on repairs and maintenance by asset class. An amount of R49.8 million will be spent on new assets in the 2017/2018 financial year while an amount of R91.7 million will be spent on renewal of existing assets.

The asset register summary (PPE) amounts to R684 million in 2017/2018, R764 million and R869.8 million for 2018/2019 and 2019/2020 financial years respectively. Road infrastructure is the main contributing factor with the total of R440 million, R504.9 million and R595.8 million in 2017/18, 2018/19 and 2019/2020 respectively.

The total for the repairs and maintenance is R10.6 million and depreciation is R15 million in the 2017/2018 financial year. The repairs and maintenance as a percentage of PPE is at 1.6% while the renewal and upgrading and repairs and maintenance as a percentage of PPE is at 15%.

1.7.10. Explanatory notes to Table A10 - Basic Service Delivery Measurement

Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

As indicated in the Mayor's Report, the Municipality continues to make good progress with the eradication of backlogs.

2 Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Head of Finance Portfolio Committee.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2016) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule on August 2016.

Key dates applicable to the process were:

- **November 2016** – Strategic planning session took place at Hotel at Tzaneen

Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2016/2017 MTREF;

- **30 January 2017** - Council considers the 2016/17 Mid-year Review
- **28 February 2017** – Adjustments budget was approved
- **30 March 2017** - Draft budget was tabled
- **30 May 2017** - Final budget approval

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan.

The IDP has been taken into a business and financial planning process leading up to the 2017/2018 MTREF, based on the approved 2017/18 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2017/2018 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2016/17 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2016/2017 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2017/2018 MTREF:

- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2016/17 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51, 54, 58, 59, 66, 67,70,72,74,75,78,79,85 and 86 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2016/2017 MTREF as tabled before, community consultation started on the 20 April 2017 and ended on 05 May 2017 for the approval of the 2016/17 budget.

All documents in the appropriate format (electronic and printed) will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

2.2 Overview of alignment of annual budget with IDP

The IDP is informed by the consultation process with the community through community public participation process. Priorities are identified and reprioritized taking into consideration the need to satisfy the basic needs of the community.

This is costed annually through the Medium Term Revenue Expenditure Framework taking into account the availability of funds and the need to provide sustainable basic services.

The IDP has been guided amongst others by the following:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.
- Limpopo employment, Growth and Development plan

2.3 Measurable performance objectives and indicators

The Municipality target, monitors, assesses and reviews organisational performance which in turn is directly linked to individual directors' performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance.

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monthly Monitoring monitoring and checking on the progress against plan;
- Identifying areas requiring change and improvement;
- Quarterly reporting to council
- Making changes where necessary.

2.3.1 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality.

All qualifying indigent's households receive 6 kl per month of free basic water, free sanitation, free refuse removal, no payment of property rates and free burial as per indigent policy of the municipality.

2.3.2. Providing clean water and managing waste water

In terms of the 2010/2011 financial year performance with regard to the provision of water is that all schemes in the district that are run by Lepelle Northern Water, had a blue drop status. The schemes that are run by the Mopani District Municipality had status of about 96 percent in the 2010/2011 financial year.

In 2011/2012, 93 percent was achieved which led to our district not achieving a blue drop status.

2.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.3.2 Review of credit control and debt collection procedures/policies

The Credit control and debt collection has been reviewed.

2.3.3 Asset Management, Infrastructure Investment and Funding Policy

The Asset Management, Infrastructure and Funding Policy is considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. The policy has been approved by council on 30 May 2017.

2.3.4 Budget Policy

The budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. The policy was approved by council in 30 May 2017.

2.3.5 Supply Chain Management Policy

The goal of this Policy is to provide a mechanism to ensure sound, sustainable and accountable supply chain management within the Greater Letaba Municipality, whilst promoting black economic empowerment.

The Supply Chain Management Policy has been reviewed and comments were also sought from Provincial Treasury. The policy has been approved by council on 30 May 2017.

2.3.6 Cash Management and Investment Policy

The purpose of this policy is to secure the sound and sustainable management of Greater Letaba Municipality's surplus cash and investments.

The Municipality's Cash Management and Investment Policy have been approved by council on 30 May 2017.

2.3.7 Tariff Policy

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery.

The policy has been approved by council on 30 May 2017.

2.4.7 Indigent policy

The indigent policy seeks to balance the immediate needs of the poor population to have access to affordable basic services with the long term implications of failure to implement remedial measures coupled with the provision of affordable services to indigents in a financially viable manner.

The policy has been reviewed and is submitted to council for approval and adoption.

2.4.8 Writing off of bad debts

The purpose of this policy is to ensure that the principles and procedures for writing off irrecoverable debt are formalised.

The policy has been approved by council during 2016/2017 financial year.

2.4.9 Virement policy

The purpose of this policy is to provide a framework whereby transfers between line items within votes of the operating budget may be performed with the approval of certain officials.

The policy has been approved by council during 2016/2017 financial year.

2.4 Overview of budget assumptions

2.4.1 External factors

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the municipality's finances.

2.4.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2017/2018 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on municipality's residents and Businesses.
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity ; and
- The increase in the cost of remuneration.

2.4.3 Collection rate for revenue services

The debt impairment as indicated in the budget seeks to indicate that more efforts need to be put in the collection process. The Revenue Enhancement Strategy of the municipality has been reviewed and is on implementation stage and this will enhance revenue collection.

2.4.4 Growth or decline in tax base of the municipality

Debtors revenue are assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

2.4.5 Salary increases

The guideline from National Treasury has been used in determining salary increases.

2.4.6 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around mapriority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

The municipality's infrastructure projects are labour intensive.

2.4.7 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 99 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2017/2018 MTREF of which performance has been factored into the cash flow budget.

2.5 Overview of budget funding

2.5.1 Medium-term outlook: operating revenue

Table A4 is a breakdown of the operating revenue over the medium-term.

2.6 Municipal manager's quality certificate

I **Mashaba T.G**, Municipal Manager of Greater Letaba Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name Mashaba T.G

Municipal Manager of Greater Letaba Municipality